



National Electric Power Regulatory Authority

Islamic Republic of Pakistan

NEPRA Tower, Attaturk Avenue (East), G-5/1, Islamabad
Ph: +92-51-9206500, Fax: +92-51-2600026
Web: www.nepra.org.pk, E-mail: registrar@nepra.org.pk

Registrar

No. NEPRA/ADG(Trf)/TRF-55/AGL-2006/ **7236-40**

May 27, 2025

Subject: Decision of the Authority in the matter of joint application filed by Central Power Purchasing Agency (Guarantee) Limited and Attock Gen Limited for reduction in tariff Components.

Dear Sir,

Please find enclosed herewith the subject Decision of the Authority (total 06 pages) in the matter of joint application filed by Central Power Purchasing Agency (Guarantee) Limited and Attock Gen Limited for reduction in tariff Components in Case No. NEPRA/TRF-55/AGL-2006.

2. The Decision is being intimated to the Federal Government for the purpose of notification in the official Gazette pursuant to Section 31(7) of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 within 30 days from the intimation of this Decision. In the event the Federal Government fails to notify the subject tariff Decision within the time period specified in Section 31(7), then the Authority shall notify the same in the official Gazette pursuant to Section 31(7) of NEPRA Act.

Enclosure: As above

Wasim Anwar Bhinder
(Wasim Anwar Bhinder)

Secretary,
Ministry of Energy (Power Division),
'A' Block, Pak Secretariat,
Islamabad.

Copy to:

1. Secretary, Cabinet Division, Cabinet Secretariat, Islamabad
2. Secretary, Ministry of Finance, 'Q' Block, Pak Secretariat, Islamabad
3. Chief Executive Officer, Central Power Purchasing Agency Guarantee Limited (CPPA-G), Shaheen Plaza, 73-West, Fazl-e-Haq Road, Islamabad.
4. Chief Executive Officer, Attock Gen Limited, Refinery P.O. Morgah, Rawalpindi



**DECISION OF THE AUTHORITY IN THE MATTER OF JOINT APPLICATION
FILED BY CENTRAL POWER PURCHASING AGENCY (GUARANTEE) LIMITED
AND ATTOCK GEN LIMITED FOR REDUCTION IN TARIFF COMPONENTS**

1. INTRODUCTION

- 1.1. Central Power Purchasing Agency (Guarantee) Limited (CPPA-G) and Attock Gen Limited (AGL) signed Amendment Agreements on February 28, 2025 to reduce consumer end tariff. As per clause 3.1 of the agreement, the parties have jointly developed tariff adjustment applications as a necessary condition to bring into effect the agreed contractual amendments.

2. FILING OF APPLICATION

- 2.1. CPPA-G vide letter dated March 13, 2025 filed the joint application for reduction in tariff components pursuant to the Amendment Agreement. The Authority admitted the application on April 10, 2025.

3. GROUNDS OF APPLICATION

- 3.1. CPPA-G and IPPs have agreed on following terms and conditions for reduction of tariff components:
- a) Indexation of O&M Component
 - b) Insurance
 - c) Foreign ROE and ROEDC
 - d) Hybrid Take and Pay model
 - e) Withdrawal of Proceedings for abnormal profits by NEPRA
 - f) Termination of the Arbitration Submission Agreement

4. HEARING

- 4.1. Public Hearing in the matter was held on April 16, 2025. Notice of Admission/Hearing and individual notices were published/issued on April 10, 2025. The hearing was attended by the representatives of CPPA-G, IPP and other stakeholders.

5. CONSIDERATION OF THE VIEWS OF THE STAKEHOLDERS, ANALYSIS AND DECISION ON IMPORTANT ISSUES

- 5.1. The issue wise discussion, submissions of stakeholders, analysis and findings are provided in the succeeding paragraphs.



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a) Indexation of O&M Components

i. Local O&M

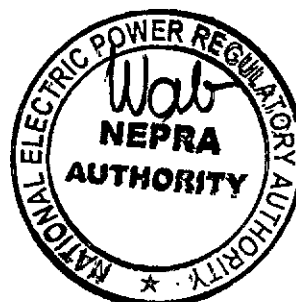
- 5.2. According to the application, the Fixed and Variable O&M – Local shall be indexed with lower of (a) five percent (5%) per annum or (b) the actual average National Consumer Price Index (NCPI) for the preceding twelve months.

ii. Foreign O&M

- 5.3. According to the application, the Fixed and Variable O&M – Foreign shall be indexed as per the existing mechanism provided that the PKR / USD depreciation shall be allowed only to the extent of 70% of actual depreciation per annum. In case the PKR appreciates against USD in a year, then 100% of such appreciation shall be passed on to the consumers.
- 5.4. According to the application, the indices used in the quarterly indexation determined by NEPRA for the period July – September 2024 shall prevail.
- 5.5. The submissions of the petitioners have been examined. The applications did not clearly specify regarding application of abovementioned mechanism i.e. whether the reference O&M components and indices would be fixed or floating for future indexations. Under current mechanism, the reference values were fixed at the time of COD tariff which have been indexed at each quarter. However, in case of floating references, indexed component and indexed values of each quarter would become reference values for the subsequent quarter.
- 5.6. The issue was raised during the hearing and the Authority directed CPPA to submit written clarification in the matter. CPPA-G was reminded vide emails dated April 03, 2025 and April 09, 2025 to submit its response on application of indexation mechanism of O&M components with 5% per annum increase or CPI whichever is lower and for foreign components on the basis of exchange rate w.r.t fixed reference component or floating reference component. CPPA-G vide email dated April 11, 2025 submitted following response:

“During the negotiations, it was mutually agreed that the reference components of the Tariffs would be maintained on a “floating basis”. This approach was deliberately adopted to mitigate the impact of compounding. Indexation To be made on quarterly basis.”

- 5.7. CPPA-G, via email dated April 11, 2025 also submitted an illustration on O&M indexation, suggesting that quarterly indexation be allowed on the basis of actual NCPI and exchange rate until it cumulatively reaches the maximum annual cap of 5% in NCPI and 70% in Rupee depreciation against US Dollar. Thereafter, no further indexation should be allowed for the remaining quarters of the year. As mentioned above, CPPA-G also proposed that the reference components and indices should remain floating to mitigate the impact of compounding.



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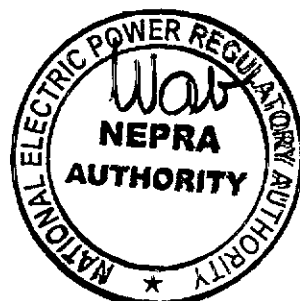
- 5.8. It would be pertinent to mention that under the proposed floating reference mechanism, both the reference and revised indices would change in each quarter, therefore, it would not be possible to accurately implement the agreed indexation mechanism within the maximum limits.
- 5.9. Considering the above and in order to mitigate the impact of compounding, the most appropriate approach is to fix the reference O&M component and the corresponding NCPI for a period of one year. The reference component shall be indexed on quarterly basis until either the cumulative increase reaches the maximum limit of 5% or average annual NCPI value, whichever shall be lower. The final indexed component and average NCPI for the preceding year shall serve as the reference for the subsequent year.
- 5.10. Similarly, foreign O&M components shall be indexed quarterly on the basis of 70% of the cumulative rupee devaluation against US dollar. In case rupee appreciates against US Dollar, 100% of the same shall be passed on to the consumers. The reference values for the entire year shall remain fixed. The final indexed component and exchange rate at the end of the year shall serve as the reference for the subsequent year.
- 5.11. The revised indexation mechanism shall be effective from November 01, 2024.

b) Insurance

- 5.12. As per the application, from the next Agreement Year, the maximum limit of insurance component shall be capped at 0.9% of allowed EPC Cost as per existing mechanism.
- 5.13. The submission of the applicants has been reviewed. Currently, maximum cap of insurance component is 1.35% of the allowed EPC cost., however, the actual insurance cost remains within the maximum allowed limited. The revised insurance cap is in favour of consumers, therefore, the Authority has decided to revise the maximum limit of insurance to 0.90% of the allowed EPC cost which shall be applicable from the next agreement year.

c) Foreign ROE Component

- 5.14. According to the application, the foreign component of ROE and ROEDC as determined by NEPRA for the Oct-Dec 2024 quarter shall be recomputed based on 17% rate of return, at the fixed exchange rate of PKR 168 / USD. Thereafter, there shall be no exchange rate indexation.
- 5.15. The submission of the applicants has been reviewed. It would be pertinent to mention that 65% equity of AGL is foreign. The current application seek revision only in the return on foreign equity, therefore, there will be no change in the return on local equity.
- 5.16. The comparison of requested and existing (Oct-Dec 2024) foreign ROE and ROEDC components is provided hereunder:





Description	Existing	Requested	Difference
	Rs. /kW/h		
ROE	0.6270	0.5367	(16%)
ROEDC	0.1006	0.0733	
Total	0.7276	0.6099	

5.17. Considering the above, the Authority has decided to revise the foreign ROE and ROEDC components of AGL on the basis of return of 17% and fixed exchange rate of Rs. 168/US\$. The revised components will remain fix without any indexation and shall be applicable w.e.f November 01, 2024.

d) Hybrid Take and Pay Model

5.18. The Parties agreed to implement a 'Hybrid Take-and-Pay Model'. IPP will be entitled to 35% of ROE and ROEDC components of tariff as part of CPP which will be computed as per the existing terms of the PPA. In case the Despached and Delivered Net Electrical Output (NEO) exceeds 35% of the total contract capacity in terms of kWh, then IPP will be entitled to receive ROE and ROEDC components of tariff which shall be calculated on the actual NEO exceeding 35% of the total contract capacity in terms of kWh and IPP shall claim the differential CPP accordingly.

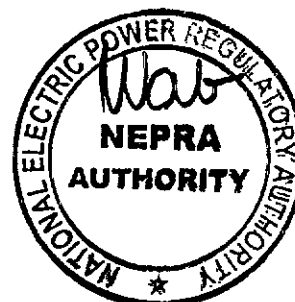
5.19. The arrangement has been mutually agreed between CPPA-G and IPPs and in the interest of the consumer, therefore, the Authority has decided to approve the same.

e) Withdrawal of Proceedings for abnormal profits by NEPRA

5.20. The parties requested to implement clause 3.2 of the Amendment Agreements which provides that "the revised tariff shall be effective from (a) the date of notification and (b) withdrawal of proceedings of NEPRA against the company for abnormal profits and appropriate notice that the same stands fully and finally withdrawn and resolved, failing which the past excess adjustments (fuel and O&M) will be set aside.

5.21. The submission of the applicant has been examined. The matter was also raised by IPPs and CPPA-G during the hearing. The Authority, having taken cognizance of the matter regarding alleged excessive profits earned by AGL established under the Power Policy 2002, decided to initiate legal proceedings in connection with the said issue. In furtherance thereof, a public notice dated 09.03.2019 was published in leading newspapers, wherein the Authority signaled the initiation of formal proceedings and decided to provide an opportunity of hearing to AGL. Additionally, the Authority invited comments from the public.

5.22. Subsequently, the aforementioned IPP challenged the notice before the Honorable Islamabad High Court in W.P 1229/2019, and the matter remains sub judice.





5.23. Through the joint application filed by CPPA-G and the power plant for the downward revision of tariffs resulting from mutual negotiations, the Authority reviewed the agreement. The Authority is of the view that the purpose of the aforementioned proceedings has been served, as the tariff is being revised downward and the benefit is being passed on to consumers.

5.24. In light of the foregoing and to give full effect to the mutually agreed-upon reduction between the power purchaser and the power producer, the Authority hereby withdraws and recalls the public notice dated 09.03.2019, and the proceedings stand closed.

f) Termination of the Arbitration Submission Agreement

5.25. The GoP agreed to unconditionally and irrevocably withdraw and extinguish all claims against IPPs under the Arbitration Submission Agreement (ASA). The GoP and IPPs are in process of sending joint communication to the tribunal established under the ASA for termination / relinquishment of the arbitration.

5.26. The submissions of the applicants has been examined. During the hearing, CPPA-G submitted that it has made recovery of past excessive profits on account of fuel and O&M, therefore, the issue of past savings has been settled and a mechanism has already been in place for future savings in fuel and O&M.

5.27. The Arbitration Submission Agreement was agreed between CPPA-G and IPPs. Therefore, the termination of the same does not pertain to NEPRA.

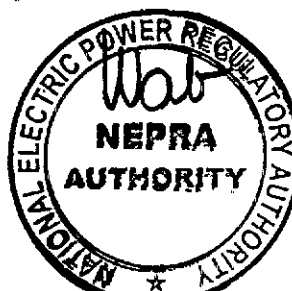
6. ORDER

I. The Authority hereby modify and approve its earlier decisions in the matter of Nishat Attock Gen Limited to the extent of following:

Tariff Components	Unit	Tariff
ROE (Foreign)	Rs. /kW/h	0.5367
ROEDC (Foreign)		0.0733

II. The O&M indexation mechanism is also modified to the following extent:

- Local O&M components (Variable and Fixed) shall be indexed on quarterly basis until either the cumulative increase reaches the maximum limit of 5% or average annual NCPI value, whichever shall be lower. The reference values for the entire year shall remain fixed. The final indexed component and average NCPI for the preceding shall serve as the reference for the subsequent year.
- Foreign O&M components (Variable and Fixed) shall be indexed quarterly on the basis of 70% of the cumulative rupee devaluation against US dollar. In case rupee appreciates against US Dollar, 100% of the same shall be passed on to the consumers. The reference values for the entire year shall remain fixed. The final





indexed component and exchange rate at the end of the year shall serve as the reference for the subsequent year.

- c) The indices used in the quarterly indexation determined by NEPRA for the period July – September 2024 shall prevail as reference for the first year's indexation.
- III. The indexation of Cost of Working Capital component will be on the basis of KIBOR + spread of 1%.
- IV. The revised tariff components along with revised indexations shall be effective from November 01, 2024.

NOTIFICATION

The above Order of the Authority is intimated to the Federal Government for notification in the Official Gazette in terms of Section 31(7) of the Regulations of Generation, Transmission and Distribution of Electric Power Act, 1997.

AUTHORITY

Engr. Rafique Ahmed Shaikh
Member

Amina Ahmed
Member

Engr. Maqsood Anwar Khan
Member

Waseem Mukhtar
Chairman

